To: Point Board and Staff; Bulletin Board
From: Kelly Teevan
Re: New partner in the WELL
Date: July 16, 1991

Point has taken on a new 50% partner in ownership of the WELL, replacing NETI, which helped found and build the WELL, with Bruce Katz, via his investment company, Rosewood Stone Group Inc. Bruce is a Whole Earth Institute founder, with offices on Bridgeway in Sausalito; he built the Rockport Shoe company, sold it a few years ago, and is now involved in Esprit, the S. F. garment company.

I think that Bruce's participation will help the WELL improve its product and grow. The timing of this new partnership is fortunate. The WELL has proved that it is a desirable product and that it can operate profitably; the challenge now is to design the future of the WELL, figuring out what kind of product it *needs* to be, rather than what kind of product can we afford for it to be. Further, we can begin to market the WELL more actively, because we need not be constrained by the same kind of no-money-to-invest capacity limitations that the WELL has become accustomed to. Bruce will be making money for investment available, as well as his advice on marketing, strategy, product quality and other issues. There are also Rosewood Stone employees, particularly Claudia Stroud (president) and John Hallett (financial controller) who can be very helpful to the WELL on legal, financial, accounting, tax and other matters.

Yesterday the WELL Board met for the first time with Bruce as a new Director. The meeting went very well, and Bruce said that it was the best board meeting he'd ever been to. All of the former Directors remained on the Board, so we are simply building from where we were, not dismantling or reinventing. Bruce showed enthusiasm about the WELL, asked a lot of questions and shared a lot of ideas. He said that he hasn't become our partner in order to impose his way of doing things; rather, he observed that he doesn't know a lot about this specific business, intends to learn and wants to contribute to helping Point, the WELL Board and WELL management realize their ambitions for the WELL.

The WELL is a company that is already earning a profit, though that profit needs to be reinvested for growth. Within the next several years, however, I think that the WELL will be generating profits beyond what is needed for growth and can quite possibly act as an endowment for Point, generating dividends to support further work of the kind that led to the creation of the WELL in the first place. May there be many new Whole Earth spin offs!

If you have any questions about this, just ask.

-Kelly

June 4, 1991

Mr. Mike Wilens
NETI
c/- 200 Orchard Hills Drive
Ann Arbor MI 48104

Dear Mike,

This letter is to convey the intent of Point Foundation, as passed by vote of its Board of Directors, to purchase from NETI its 50% share of the WELL, a California corporation.

The transaction price is $175,000, in consideration for which

(1) NETI will transfer its stock in the WELL to Point and

(2) the loan repayment obligation on the part of the WELL to NETI will become nil as of the effective date of the transaction.

Point seeks to complete the transaction as soon as possible and will complete it by June 30, 1991, and prior to that if it can.

If the owners of NETI are agreeable to these terms, please send me a corresponding letter of intent, ideally as soon as possible.

Thank you very much. We are delighted to be able to effect this deal.

Sincerely,

Kelly R. W. Teevan
Executive Director

cc: Stewart Brand, Doug Carlston, Elliot Fabric

March 4, 1991

Mr. John Hallett
Rosewood Stone
1505 Bridgeway, #201
Sausalito CA 94965

Dear John,

On behalf of the Board of Point Foundation, I submit to you the outline of a proposal to Bruce Katz to lend funds to the WELL, for two purposes: (1) to increase Point's ownership of the WELL; and (2) to provide the WELL about $100,000 to invest in operations. Point is a non-profit organization and hence hopes to realize below-market costs; at the same time, provisions are built in which allow the lender to benefit financially if the WELL grows in value.

You have indicated a strong interest in an equity position. We think that our proposal of a partially convertible loan should be even more attractive:

- if the WELL thrives and increases in value, Bruce can elect to convert to equity; and
- if the WELL remains profitable and is able to service its debt but does not generate much cash beyond that, Bruce can elect to retain his position as creditor and receive both interest and principal payments, rather than holding equity of questionable value.

Because of the level of interest and commitment that such a loan would represent, Point Foundation would be pleased to offer Bruce a personal seat on the Board of the WELL.

Proposed agreement

The following are points in the proposed agreement. We would propose that you and we come to an agreement on the structure of the arrangement and then fill in the exact amounts in items 1, 5, and 13, as we don't know at this time the exact amount we need. In addition, some of the terms here affect cash flow, which we have to

keep above water, and that feeds back into the loan principal decision.

•Comments about selected points are indented, as this is.

1-Instrument: A loan to the WELL of [$250,000 to $300,000--amount to be determined], half of which is convertible into equity.

•Depends largely on purchase price of NETI's shares.

2-Interest rate: The lowest rate that avoids imputed interest.

•At present, around 7%.

3-Period of the loan: Five years

•A shorter period would make the monthly payments too high.

4-Payment: self-amortizing: The same amount monthly, designed to pay off interest and principal at the end of 5 years.

5-Debt service limit: No more than [50% to 60%--portion to be determined] of pre-tax profits (earnings before interest on this loan, and before income taxes) has to be used to service the interest and principal on this loan. More could be paid off, at the borrower's option.

•This leaves the WELL some cash for growth and taxes.

6-Beyond 5 years: Because of the debt service limit, the loan may not have been eliminated by end of year 5. In that case, the WELL will continue to service the debt on the same basis as before, until it is paid off.

7-Conversion equity: The debt is convertible into full voting shares.

8-Conversion price: $6 per share. (For reference, Point owns 50,000 shares of the WELL.)

•Three years hence, $6 per share may be a steal for shares in the WELL; that's the bet here, and it's a much safer bet in three years than it is now.

9-Conversion period: The lender can convert at any time from the end of year 3 on, as long as there is a portion of the loan principal outstanding.

10-Reduction of principal: Initially, the principal is in two equal portions--one convertible and the other not; repayment by the WELL

of principal will pay off the non-convertible portion twice as fast as the convertible portion.

- This feature is designed to keep the convertible portion relatively larger than the non-convertible, which we think you would find attractive.

11-Conversion quantity: The lender can convert any or all of the balance of the convertible portion of the loan to equity.

12-Liquidity option: This arrangement allows for the lender not to take an equity position--the lender has the option of keeping his funds as a loan and hence having more access to them than if they were equity; if the lender elects to convert, part of that decision is to take on a position which may be relatively less liquid.

13-No more than [$150,000 to $175,000--amount to be determined] of the loan may be used to purchase shares from NETI; further, none of the loan may be used to purchase shares from NETI unless all its shares are purchased.

- You may be indifferent to this provision; we want to make it harder for us to pay NETI's full asking price of $200,000. If this provision were to kill the deal with NETI, we would to be able to renegotiate this point with you.

14-This loan is contingent upon the repurchase by the WELL of all of NETI's stock.

Please think over this proposal and let me know what you think. Obviously, there are several main points and many details to work out. We are eager to come to an agreement and very much appreciate the interest Bruce and you have shown.

I am also enclosing, per your request, WELL 1990 financials--budget vs. actuals, and actuals 1989 vs. actuals 1990--with comments on the main variances. January results will follow.

Thank you very much. I look forward to your response.

Sincerely,

Kelly Teevan

To: Point Foundation Board Members
From: Kelly Teevan
Re: Proposal to buy NETI's share of the WELL and take a new partner
Date: January 22, 1991

This is a starting point for a proposal to Bruce Katz to borrow money from him to buy out NETI and to take him on as a minority equity partner.

Bruce, we are encouraged by your continued interest in the WELL. Here is a first cut at what we contemplate as a deal between Point Foundation and you; it has 2 parts: a loan and equity.

1- You loan to Point approximately $200,000, which Point uses to buy NETI's 50% interest in the WELL.

2- You invest $100,000 (or more) in the WELL in return for xx% ownership of the WELL. Minority board representation would go with the equity.

It would be possible to change the proportions of debt and equity, with the limitation that Point wants a majority, controlling interest in the WELL.

The loan, though made to Point, would be repaid only from WELL cash flow, over a time period and at an interest rate to be determined. Security to the lender would be in the form of WELL stock owned by Point. (The loan could be made directly to the WELL if there were good reason.)

The arrangement stated here keeps Point in between you and NETI, but we could work it differently if you see an advantage to doing so. *Point's objective is to take NETI completely out of the picture and to increase its ownership, in order to be able to set a clear direction for the WELL.* Point may also have an interest in limiting to whom WELL stock may be sold.

I look forward to moving this discussion along. Thanks.

The issues to decide are:

(1) On a spectrum of 0 to 50%

POINT
FOUNDATION
PUBLISHERS OF THE WHOLE EARTH REVIEW AND CATALOGS
415/332-1716
27 Gate Five Road
Sausalito, CA
94965

The Company shall not, without the affirmative vote of its shareholders:

(a) Acquire another business or loan to or invest in any other business entity or person;

(b) Liquidate, dissolve, or merge with any other entity, or sell, lease, or otherwise dispose of any substantial part of its property;

(c) Amend its by-laws or articles of incorporation;

(d) Incur outstanding lease or rental obligations in excess of $20,000 in a single transaction;

(e) Expend sums for the acquisition of fixed assets in excess of $20,000 in a single transaction;

(f) License any of its technology, trademarks, copyrights, or other proprietary information;

(g) Borrow any money or create or allow any mortgage, pledge, or other lien upon any property or asset of the Company;

(h) Fill any vacancy in the Board of Directors;

(i) Pay dividends to shareholders or issue any stock of the Company.

(j) Enter into a contract with any third party, in which the consideration is in excess of $20,000 per annum.

(k) Hiring of the chief executive officer. except for an employee for the purpose of being an employee.

Board
of Directors
•
Stewart Brand, Doug Carlston
Christina Desser, Robert Fuller,
Peggy Lauer, Huey Johnson, Kelly Teevan

We ought to launch the new ownership of the Well with some commemerative event. It has been such a great experience/experiment working together. Mike Wilens and his trusy costumed companion Bob Martel will be staying at my house Sunday. I've heard that the weather will be sunny and the Wilens' jokes funny. You are invited to bring a bathing suit and enjoy the micro-environment in San Anselmo where it seems to always be warm and swimming weather on Sundays. Maybe because we are near the Seminary...

Directions: Take the San Anselmo/Sir Francis Drake exit, go towards town of Ross. The first light in San Anselmo is Bolinas, the second is Ross avenue. Turn right at intersection of SFD and Ross (whoops! sorry---that is turn LEFT at Ross)....go up the hill until Ross deadends at Sunnyside, turn RIGHT on Sunnyside two blocks until it deadends at CRESCENT, turn LEFT on Crescent and go about 200 yards. There, on the left side are two ancient stonce gate posts with the number 165 on one. Turn left into the driveway and go up to the top where there is an electric gate. The code for the gate is *5555 (the code is posted on the gate which is there these days to keep out the dear deer, whom, we presume, cannot read codes---but, then that is another story).

Time: around noon
Food: we'll get some bagels, bring anything you'd like but be sure to bring a bathing suit
Family, kids, etc: Please bring 'em, most welcome. lots of room to play.
Bad weather: no problem, we'll use Ram Dass' hot tub instead
Phone: 457-8442 or if busy 457-8470

I hope that this mail reaches everyone, but it is my intention to invite all the Well Board members, Cliff, John, and any Well staff that Cliff/John/Kelly/Stuart would like to have.

I would also certainly like to invite the new co-owner Bruce---I will ask Kelly to pass this on to him.

I hope you can make it. I've learned how nice it is to always mark the passing of events. This one sounds like it could be a good marriage and I, for one, am going to be cheering it on.....